

Message Text

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S E C R E T SECTION 01 OF 03 BONN 05883

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E.O. 11652: XGDS-1
TAGS: ECON, ENRG, ECIN, OVIP, TU, XM, RH, UR, GW, IT
SUBJECT: MEETING BETWEEN CHANCELLOR AND DEPUTY
SECRETARY CHRISTOPHER: OTHER SUBJECTS
COVERED MARCH 31 IN ADDITION TO ERW
DISCUSSION

1. IN ADDITION TO DISCUSSION OF ERW, WHICH WILL BE REPORTED SEPARATELY BY DEPUTY SECRETARY, NUMBER OF OTHER SUBJECTS WERE COVERED BRIEFLY IN CHRISTOPHER'S MEETING MARCH 31 WITH CHANCELLOR SCHMIDT IN HAMBURG. CHANCELLOR'S MOOD THROUGHOUT ENTIRE DISCUSSION, INCLUDING ERW SUBJECT, WAS CALM, REFLECTIVE AND POSITIVE. HE TOOK NO CATEGORIC POSITIONS, WAS PREPARED TO LISTEN AND IN GENERAL SEEMED MORE RELAXED AND QUIETER IN MANNER THAN I HAVE OBSERVED IN THE PAST. HIS SHORT PERIOD OF VACATION PROBABLY CONTRIBUTED TO THIS, BUT IT MAY BE THAT HE WAS DELIBERATELY MAKING AN EFFORT TO SHOW RESTRAINT, HAVING IN MIND PRESS COMMENTARY CONCERNING HIS ALLEGED HARSHNESS IN THE RECENT PAST REGARDING THE U.S. HE ALSO MADE IT A POINT TO STRESS THE DESIRABILITY OF FREQUENT PERSONAL, HIGH-LEVEL CONTACTS BETWEEN U.S. AND GERMAN REPRESENTATIVES, WHICH HE SAID WOULD BE USEFUL IN COUNTERING PERSONS WHO WISHED TO CAUSE TROUBLE BETWEEN US.

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2. ECONOMIC SUMMIT. SCHMIDT SAID HE KNEW HENRY OWEN AND COLLEAGUES FROM OTHER COUNTRIES WERE AT WORK TO PREPARE FOR SUMMIT MEETING. HE PRAISED HIGH VALUE OF THESE PREPARATIONS, BUT THOUGHT IT WOULD BE UNWISE IF THERE WAS A PERCEPTION THAT THE SUMMIT MEETINGS CONCERNED ONLY ECONOMIC MATTERS. FROM THE INCEPTION OF

THESE SUMMIT MEETINGS, IT HAD ALWAYS BEEN UNDERSTOOD THAT, WHILE ECONOMIC SUBJECTS OBVIOUSLY WERE OF GREAT IMPORTANCE IN THE MEETINGS, THERE WERE ALSO MANY OTHER SUBJECTS OF INTEREST FOR DISCUSSION. IN A WAY, IT COULD BE SAID THAT WE SHOULD USE THE ECONOMIC THEME AS A "BIKINI," IN THE REALIZATION THAT MANY OTHER MATTERS OF SUBSTANCE WOULD ALSO BE DISCUSSED.

3. THE CHANCELLOR ASKED CHRISTOPHER TO PASS HIS COMMENTS IN THIS SENSE TO THE WHITE HOUSE. HE HOPED THE PRESIDENT WOULD UNDERSTAND HIS CONVICTION THAT, WHILE BILATERAL MEETINGS BETWEEN CHIEFS OF GOVERNMENTS WERE NECESSARY AND USEFUL, THE OPPORTUNITY FOR A GROUP OF LEADING STATESMEN TO GET TOGETHER FOR INTIMATE DISCUSSIONS ON A WIDE RANGE OF SUBJECTS WAS OF THE UTMOST IMPORTANCE.

4. MIDDLE EAST. SCHMIDT SAID THAT THERE SEEMED NO NEED TO TALK ABOUT THE MIDDLE EAST IN DETAIL, SINCE WE SEEM TO SEE EYE TO EYE ABOUT DEVELOPMENTS THERE. HE WAS SAD ABOUT THE SITUATION OF SADAT, WHO WAS RISKING HIS OWN LIFE AND THAT OF HIS GOVERNMENT, SO FAR IN VAIN. HE THOUGHT SADAT WAS BEHAVING IN A VERY RESTRAINED MANNER UNDER THE CIRCUMSTANCES. SCHMIDT CHARACTERIZED SADAT AS A GREAT HUMAN BEING AND A WISE MAN.

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5. TURKEY. AT SCHMIDT'S INVITATION, CHRISTOPHER OUTLINED SUCCINCTLY THE NEW U.S. APPROACH CONCERNING ASSISTANCE TO TURKEY AND RENEGOTIATION OF THE DCA. WE WERE HOPEFUL THAT THE ANNOUNCEMENT OF THIS PROPOSAL, IF IT COULD BE FOLLOWED WITH POSITIVE STATEMENTS BY ECEVIT AND DENKTASH ON CYPRUS, WOULD BE HELPFUL IN MOVING THINGS ALONG.

6. SCHMIDT COMMENTED THAT CARAMANLIS IS A GOOD MAN AND THAT ECEVIT MAY BECOME A GOOD MAN. AT PRESENT, SCHMIDT FELT ECEVIT IS LEARNING HOW TO BE A GOVERNMENT LEADER AFTER HAVING BEEN AN OPPOSITION LEADER.

7. THE CHANCELLOR SAID THAT THE FRG HAS RESUMED ASSISTANCE TO BOTH GREECE AND TURKEY.

8. U.S. AND GERMAN ECONOMIES. SCHMIDT THOUGHT THAT THE SHORT-TERM PROSPECTS FOR THE U.S. ECONOMY ARE GOOD BUT HE WAS MORE DUBIOUS ABOUT THE LONG-TERM PROSPECTS.

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HE ASKED CHRISTOPHER TO SUGGEST TO THE SECRETARY THAT HE SHOULD WEIGH WHAT EFFECT A DECLINING DOLLAR OVER THE NEXT TWO OR THREE YEARS WOULD HAVE ON U.S. PRESTIGE AND DIPLOMACY WORLDWIDE.

9. IN A DISCUSSION OF INCREASED CONCERN ABOUT INFLATION IN THE U.S., SCHMIDT SAID THAT HE FELT SOME U.S. EXPERTS HAD BEEN PROVEN WRONG IN THEIR EARLIER PREDICTIONS THAT INFLATION WOULD NOT BE A PROBLEM IN THE U.S. WHEN CHRISTOPHER NOTED THAT THE PRESIDENT WOULD BE MAKING A STATEMENT SOON ABOUT CONTROLLING INFLATION, SCHMIDT SAID THIS WOULD BE A GOOD THING.

10. SPEAKING OF THE SITUATION IN THE FRG, SCHMIDT NOTED BOTH SHORT-TERM AND LONG-TERM INTEREST RATES ARE THE LOWEST IN HISTORY; NEVERTHELESS, PEOPLE ARE NOT SPENDING AND INVESTING. EVEN OLD-AGE PENSIONERS ARE SAVING EIGHT PERCENT OF THEIR MONTHLY INCOME. HE THOUGHT AT LEAST A PARTIAL EXPLANATION OF THIS SITUATION WAS THAT THE CONSUMER MARKET WAS SATURATED IN MOST AREAS.

11. IN APPARENT REFERENCE TO THE DOLLAR SITUATION, SCHMIDT ASKED RHETORICALLY HOW LONG AND HOW FAR WE FELT WE COULD RELY ON POLITICAL COOPERATION FROM
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SAUDI ARABIA. WHO COULD SAY WHEN THERE MIGHT BE AN UPHEAVAL THERE? HE THEN BROKE OFF THIS LINE OF THOUGHT SAYING HE DID NOT WANT TO GET INTO A DETAILED ECONOMIC DISCUSSION.

12. PRESIDENT'S TRIP TO LATIN AMERICA. AT SCHMIDT'S REQUEST, CHRISTOPHER SUMMARIZED HIS IMPRESSIONS OF PRESIDENT'S STOPS IN VENEZUELA AND BRAZIL. SCHMIDT INQUIRED WHETHER THE FRG-BRAZILIAN NUCLEAR AGREEMENT HAD COME UP AS A MATTER OF DISCUSSION BETWEEN THE PRESIDENT AND GEISEL. IN THIS CONNECTION, HE NOTED THAT, WHEN GEISEL HAD BEEN IN THE FRG, THE GERMANS HAD BEEN CAREFUL TO MAKE NO MENTION OF CONSULTATIONS WITH THE U.S. ON THIS SUBJECT. CHRISTOPHER INDICATED THAT HE WAS NOT CLOSELY INFORMED ABOUT THE SUBSTANCE OF THE TALKS BETWEEN GEISEL AND THE PRESIDENT AND DID NOT KNOW THE EXTENT TO WHICH THE NUCLEAR AGREEMENT HAD BEEN DISCUSSED.

13. U.S. NUCLEAR LEGISLATION. SCHMIDT SAID THAT THIS WAS RECEIVING CONSIDERABLE ATTENTION THESE DAYS AND SOME OF HIS ADVISORS SEEMED SURPRISED TO HEAR OF THE LEGISLATION ALTHOUGH IT HAD COME AS NO SURPRISE TO HIM. CHRISTOPHER EXPLAINED THE BACKGROUND OF THE LEGISLATION AND BRIEFLY OUTLINED ITS PROVISIONS, NOTING THE REQUIREMENT THAT EURATOM WOULD HAVE TO SIGNIFY ITS INTENTION OF RENEGOTIATING ITS AGREEMENT WITH THE U.S. BY APRIL 9. SCHMIDT SAID HE WAS GLAD TO HAVE THIS INFORMATION AND WOULD LOOK INTO THE SUBJECT PERSONALLY.

14. RHOFESIA. WHEN THE DEPUTY SECRETARY ASKED SCHMIDT FOR HIS VIEWS ON A POSSIBLE SOLUTION IN RHOFESIA, SCHMIDT SAID THE SITUATION THERE OBVIOUSLY IS VERY
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DIFFICULT AND HE HAD NO GOOD ANSWERS FOR IT. HE FEARED THAT DEVELOPMENTS COULD LEAD TO WARFARE WITH THE INVOLVEMENT OF SOVIETS AND CUBANS.

15. THISPED SCHMIDT TO COMMENT IN VERY FAVORABLE TERMS ABOUT THE PRESIDENT'S WAKE FOREST SPEECH AND THE MANNER IN WHICH THE PRESIDENT HAD DESCRIBED THE INCOMPATIBILITY OF SOVIET ACTIONS IN THE THIRD WORLD WITH A POLICY OF DETENTE. SCHMIDT STRESSED HIS SUPPORT OF THE PRESIDENT'S VIEWS.

16. BREZHNEV'S VISIT. THERE WAS A GENERAL DISCUSSION OF THE CURRENT SITUATION REGARDING LEADERSHIP IN THE KREMLIN, THE STATE OF BREZHNEV'S HEALTH AND HIS

ABILITY TO FUNCTION AS AN ACTIVE LEADER. SCHMUDT NOTED THAT DATES SUGGESTED BY THE SOVIET SIDE FOR A BREZHNEV VISIT TO THE FRG HAD BEEN CANCELLED TWICE PREVIOUSLY, AND HE WAS REASONABLY SURE THIS WAS DUE TO PROBLEMS CONCERNING BREZHNEV'S HEALTH. NOW THE SOVIETS HAVE SUGGESTED STILL ANOTHER DATE, ALTHOUGH SCHMIDT WAS SKEPTICAL THAT BREZHNEV WOULD ACTUALLY COME AT THAT TIME. (RUHFQ, WHO ACCOMPANIED THE CHANCELLOR, TOLD THE AMBASSADOR LATER THAT THE DATE SUGGESTED BY THE SOVIETS WAS FOR A VISIT SOMETIME

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DURING THE FIRST TEN DAYS OF MAY.)

17. ITALY. IN RESPONSE TO SCHMIDT'S INQUIRY, CHRISTOPHER SAID THAT HE CONSIDERED THE ITALIAN SITUATION EXTREMELY DANGEROUS. WHILE THERE IS A SPIRIT OF UNITY AT PRESENT DUE TO MORO'S KIDNAPPING, THIS PROBABLY WOULD BE TEMPORARY AND, IN ANY CASE, COULD HELP THE COMMUNISTS IN THEIR EFFORTS TO PARTICIPATE MORE DIRECTLY IN THE GOVERNMENT. SCHMIDT AGREED AND SAID HE WAS QUITE AT A LOSS AS TO WHAT COULD BE DONE TO ASSIST ITALY. A NEW LEADER IS REQUIRED IN ORDER TO CHANGE THE SITUATION THERE; ANDREOTTI IS THE BEST THEY HAVE BUT EVEN HE IS NOT OUTSTANDING. SCHMIDT WAS ALSO CRITICAL OF MORO AND HIS DEALS WITH THE COMMUNISTS.

18. PRESIDENT'S VISIT TO THE FRG. SCHMIDT SAID HE WISHED TO REFER BRIEFLY TO SEVERAL PERSONAL THOUGHTS HE HAD CONCERNING THE PRESIDENT'S BILATERAL VISIT,

ALTHOUGH HE KNEW THE DETAILS WERE BEING CONSIDERED ELSEWHERE. HE UNDERSTOOD THAT THE PRESIDENT WOULD BE WILLING TO GO TO BERLIN FOR SEVERAL HOURS, AND HE WELCOMED THIS. SCHMIDT ALSO WONDERED IF IT MIGHT NOT BE A GOOD IDEA FOR THE PRESIDENT TO SEE U.S. TROOPS IN GERMANY, PERHAPS IN BAVARIA. FURTHERMORE, SCHMIDT THOUGHT IT COULD BE MOST USEFUL IF SOMETHING COULD
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BE WORKED OUT SO THAT THE PRESIDENT AND THE CHANCELLOR COULD VISIT UNITS OF BOTH U.S. AND FRG TROOPS AND PERHAPS SEE A COMBINED EXERCISE. THIS COULD BE A GOOD DEMONSTRATION OF STRENGTH AND UNITY BETWEEN ALLIES AND THEIR WILLINGNESS TO COOPERATE.

19. PERSONAL CONTACTS. AT THE END OF THE MEETING, SCHMIDT SAID HE WAS VERY PLEASED TO HAVE MET WITH THE DEPUTY SECRETARY AND THAT HE FELT IT WAS IMPORTANT TO HAVE SUCH PERSON-TO-PERSON CONTACTS FREQUENTLY. HE THOUGHT THIS WOULD BE EXTREMELY HELPFUL IN COUNTERING THE EFFORTS OF THE "SOWERS OF DRAGON TEETH" WHO SEEM TO BE BUSY IN BONN, WASHINGTON, AND ESPECIALLY IN LONDON IN ATTEMPTING TO MAKE TROUBLE BETWEEN THE U.S. AND THE FRG.
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